

Message Text

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62

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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SS-20 NSC-07 AID-20 DRC-01 /099 W

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TO SECSTATE WASHDC 1029

INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: ETRN, EC

SUBJECT: FOREIGN GOVERNMENT ASSISTANCE TO FOREIGN AIRLINES

REF: STATE 79306

1. THE GOVERNMENT TOOK CONTROL AND MANAGEMENT OF THE UNPROFIT-
ABLE INTERNATIONAL FLAG CARRIER ECUATORIANA DE AVIACION IN 1972.
ECUADOREAN AIR FORCE, ACTING THROUGH ITS DOMESTIC AIRLINE TAME,
PURCHASED OUTSTANDING AND AUTHORIZED SHARES FROM ECUATORIANA FOR
\$442,000 AND NAMED NEW MANAGEMENT HEADED BY RETIRED AIR FORCE
PERSONNEL. CURRENTLY TAME HOLDS 96 PERCENT OF ECUATORIANA'S
SHARES; THE REMAINING SHARES ARE PRIVATELY HELD. DECREE 799 OF
AUGUST 11, 1972, AUTHORIZED THE PURCHASE OF ECUATORIANA. DECREE
322 OF APRIL 2, 1974 TRANSFORMS ECUATORIANA IN LAW FROM A PRIVATE
TO A MIXED COMPANY.

2. AT THE TIME OF THE GOVERNMENT TAKEOVER, ECUATORIANA REPORTED
DEBTS OF \$700,000, OWED \$320,000 IN FINES, AND WAS OPERATING AT
A LOSS. IN ADDITION TO PURCHASING SHARES, THE GOVERNMENT THROUGH
TAME SET UP A FUND OF \$1,590,000 FOR SUBSEQUENT CAPITALIZATION
OF ECUATORIANA. MOST OF THIS FUND HAS BEEN EXHAUSTED TO REPAY
DEBTS AND TO COVER INCREASING OPERATING LOSSES. DIRECT ASSIS-
TANCE TO ECUATORIANA IN THIS FORM IN 1973 MAY, THEREFORE, HAVE
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APPROACHED \$1 MILLION.

3. THE CIVIL AVIATION LAW PROVIDES FOR NO INDIRECT ASSISTANCE TO THE COUNTRY'S FLAG CARRIER. FORMER PRIVATE OWNERS OF ECUATORIANA ALLEGE THAT THE GOVERNMENT IN FACT OVER-BURDENED ECUATORIANA TO HASTEN ITS DEMISE AND TAKEOVER BY THE STATE. WE HAVE NO EVIDENCE THAT THE GOVERNMENT EXEMPTED IT FROM FEES, AIRPORT CHARGES, FUEL TAXES OR THE LIKE AFTER ASSUMING CONTROL OF THE AIRLINE IN 1972.

BREWSTER

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